

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 ATHENS 2268

EXDIS

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SUBJECT: PAPALIGOURAS ON US ECONOMIC ASSISTANCE,

CYPRUS, AND ANTI-AMERICANISM

REF: STATE 57506

1. SUMMARY: AMBASSADOR'S CALL ON MINISTER OF COORDINATION PAPALIGOURAS TO INTRODUCE NEW ECONOMIC COUNSELOR TURNED INTO A ONE AND A HALF HOUR DISCUSSION, ONLY THE THREE BEING PRESENT, IN WHICH PAPALIGOURAS COVERED A WIDE RANGE OF ECONOMIC AND POLITICAL ASPECTS OF US-GREEK RELATIONS. PAPALIGOURAS, IN AN EXPANSIVE, FORTHCOMING AND CONFIDING MANNER, SHOWED CONSIDERABLE INTEREST IN AND KNOWLEDGE OF DETAILS, AS WELL AS OFFERING BROADER PHILOSOPHICAL OBSERVATIONS. HE REGRETTED ANTI-AMERICANISM IN GREECE, IMPLIED ITS WANING, AND ADMITTED THE ADVERSE IMPACT ON GREECE OF ITS CONTINUANCE. HE STRESSED IMPORTANCE CARAMANLIS GOVERNMENT ATTACHES TO SPECIAL TIES WITH US AND CHARACTERIZED TALK OF "EXCLUSIVE RELATIONSHIP" WITH EUROPE AS "NONSENSE." ADOPTING A CONCILIATORY TONE TOWARD TURKEY, HE HOPED FOR AN EARLY RESOLUTION OF CYPRUS ISSUE, WHICH HE SAW ALSO CONNECTED WITH IMPROVEMENT OF GREEK ECONOMIC SITUATION. HE TESTED THE POSSIBILITIES FOR US "DIRECT AID" FOLLOWING SOLUTION IN CYPRUS, APPRECIATED US SUPPORT FOR INCREASED WORLD BANK/ IMF ASSISTANCE TO GREECE, EXPRESSED BELIEF THAT RESCHEDULING MILITARY DEBT REPRESENTED MOST SIGNIFICANT SHORT-RANGE US AID POSSIBILITY, AND SHOWED INTEREST IN EXIMBANK AND CCC PROGRAMS. GIVEN PAPALIGOURAS POSITION IN THE GREEK POWER

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SPECTRUM AND HIS REFERENCE TO REPORTING TO THE PRIME MINISTER

ON THIS CONVERSATION, THE TENOR, DIRECTION, AND DURATION OF TODAY'S MEETING INDICATE A FURTHER FAVORABLE EVOLUTION IN GOG ATTITUDES TOWARD UNITED STATES. END SUMMARY.

2. PAPALIGOURAS BEGAN BY ASKING ABOUT THE CURRENT STATUS OF US VIEWS ON MEETING GREECE'S ECONOMIC NEEDS THIS YEAR. THE AMBASSADOR STATED THAT THE ANALYSIS OF THE DATA AND INFORMATION RECENTLY PROVIDED BY PAPALIGOURAS HAD NOT YET BEEN COMPLETED IN WASHINGTON AND THAT SOME ADDITIONAL TIME WOULD BE REQUIRED BEFORE HE WOULD BE IN A POSITION TO DISCUSS THIS AUTHORITATIVELY WITH PAPALIGOURAS. HOWEVER, HE THOUGHT NEWLY ARRIVED ECONOMIC COUNSELOR BENEDICK MIGHT USEFULLY BRIEF THE MINISTER ON SOME OF THE STEPS ALREADY TAKEN IN WASHINGTON. PAPALIGOURAS AGREED AND BENEDICK BEGAN BY OUTLINING PROSPECTIVE INCREASES IN WORLD BANK AND IMF FINANCIAL ASSISTANCE TO GREECE, NOTABLY THE BANK'S INTENTION TO APPROVE APPROXIMATELY \$140 MILLION IN NEW LOANS IN CY 1975 AND SIMILAR LEVELS IN THE NEXT COUPLE OF YEARS, AND POSSIBILITIES FOR INCREASED GREEK ACCESS TO THE IMF OIL FACILITY. HE STATED THAT THE US STRONGLY SUPPORTED THESE INTERNATIONAL INSTITUTION EFFORTS AS BEING CONSISTENT WITH OUR OWN VIEWS OF GREECE'S NEEDS.

3. WITH RESPECT TO POTENTIAL US ASSISTANCE, BENEDICK NOTED THAT GOG REQUEST WAS STILL UNDER SYMPATHETIC CONSIDERATION IN WASHINGTON. IN RESPONSE TO PAPALIGOURAS SPECIFIC QUESTIONS ON STATUS OF VARIOUS CATEGORIES OF POTENTIAL US FINANCIAL AID, COUNSELOR SAID THAT (A) FURTHER RESEARCH ON DIMENSIONS OF FMS DEBT SERVICE WAS NECESSARY PRIOR TO CONSIDERATION OF POSSIBLE RESCHEDULING; (B) EXIMBANK FINANCING REMAINS A POSSIBILITY DEPENDING, OF COURSE, ON APPROPRIATE PROJECTS BEING ADVANCED; ALSO, COOPERATIVE FINANCING FACILITIES MIGHT BE EXPLORED AS A WAY OF PROVIDING ADDITIONAL RESOURCES TO GREECE; (C) CCC AVAILABILITIES INCLUDED A NUMBER OF COMMODITIES WHICH GREECE IMPORTS, BUT CURRENTLY NOT FEEDGRAINS. COUNSELOR CONCLUDED BY DESCRIBING HIS PRE-DEPARTURE CONSULTATIONS WITH US BUSINESSMEN AND BANKERS IN NEW YORK AS INDICATING A FAVORABLE AND OPTIMISTIC ATTITUDE TOWARD DOING BUSINESS GREECE, AND TOWARD GREECE'S ECONOMIC POTENTIAL GENERALLY.

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4. PAPALIGOURAS RESPONDED BY AGREEING THAT THE GREEK ECONOMY WAS FUNDAMENTALLY HEALTHY AND DYNAMIC. HE CITED, HOWEVER, A RASH OF STRIKES THIS WEEK AS EVIDENCE OF UNREST IN THE WORKING CLASSES ABOUT CONTINUING INFLATION, AS WELL AS OF POTENTIAL DANGER FROM COMMUNIST ELEMENTS IN LABOR MOVEMENT. HE EMPHASIZED GOG DESIRE FIRMLY TO ESTABLISH DEMOCRACY AS A NECESSITY FOR LONGER TERM ECONOMIC AND POLITICAL STABILITY.

GREECE'S CURRENT DOMESTIC ECONOMIC DILEMMA WAS THAT THE POOR CANNOT BE FURTHER PRESSED AND, WHILE THE RICH CAN BE, THE TOTAL REVENUE POSSIBLE FROM THIS DIRECTION IS NOT LARGE ENOUGH. THEREFORE, THERE WAS NECESSITY FOR INCREASED RECOURSE TO INDIRECT TAXES (EMBASSY NOTE: THESE ARE BUDGETED TO RISE BY 37 PERCENT IN 1975 - SEE ATHENS 2188), WHICH WILL ONLY FURTHER FUEL INFLATIONARY PRESSURES.

5. TURNING TO INTERNATIONAL ACCOUNTS, PAPALIGOURAS STATED THAT GREECE'S BALANCE OF PAYMENTS WAS ALSO FUNDAMENTALLY SOUND, BUT THAT UNDER THE TWIN PRESSURES OF OIL AND MILITARY EXPENDITURES, THE GOG FORESAW SERIOUS PROBLEMS IN CURRENT YEAR; EITHER ONE OF THESE SPECIAL BURDENS MIGHT HAVE BEEN OVERCOME, BUT THE COMBINATION OF BOTH REQUIRES GREECE TO LOOK ABROAD FOR EXCEPTIONAL ASSISTANCE. PAPALIGOURAS DEMONSTRATED CONSIDERABLE FAMILIARITY WITH DETAILS OF VARIOUS TYPES OF EXTERNAL FINANCING AVAILABILITIES, INCLUDING THE IMF--WHICH HE ESTIMATED AS SOURCE OF POSSIBLY \$200 MILLION--AND THE FOREIGN COMMERCIAL BANK CREDIT LINES WHICH GREECE HAS NOT YET DRAWN UPON (WHICH HE VOLUNTEERED) AND WHICH HE INDICATED TOTALED ABOUT \$100 MILLION. WITH RESPECT TO THE WORLD, BANK, HE NOTED THAT THE NORMAL DISBURSEMENT LAG WOULD INVARIABLY DIMINISH THE IMPACT OF HIGHER LENDING APPROVALS IN THE CURRENT YEAR. THE SAME WAS TRUE, HE OBSERVED, OF NEW EXIMBANK PROJECTS, ALTHOUGH HE EVIDENCED CONSIDERABLE INTEREST IN CFF AS A POSSIBLE MEANS FOR FASTER DISBURSING RESOURCES. (COMMENT: THE AMBASSADOR BELIEVES THAT AN EARLY VISIT TO GREECE BY CHAIRMAN CASEY, SUGGESTED IN REFTEL, COULD BE VERY USEFUL AND DESIRES THAT THIS BE EXPLORED--ON A VERY CLOSE-HOLD BASIS FOR NOW--WITH CHAIRMAN CASEY.) WITH RESPECT TO CCC, PAPALIGOURAS UNDERSTOOD CURRENT LIMITATIONS, BUT ASKED WHETHER USG MIGHT NOT RECONSIDER AVAILABILITY OF FEEDGRAIN.

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6. TURNING TO THE MILITARY DEBTS, PAPALIGOURAS CONSULTED TABLES ON HIS DESK WHICH SHOWED TOTAL 1975 GREEK FOREIGN MILITARY DEBT SERVICE PAYMENTS OF \$349 MILLION, OF WHICH \$243 MILLION WAS TO THE US; OF LATTER FIGURE, \$171 MILLION WAS DIRECT FMS CREDITS AND \$72 MILLION TO PRIVATE FIRMS. IN ADDITION TO ABOVE DEBT SERVICE PAYMENTS, HIS TABLES SHOWED \$183 MILLION IN CURRENT FOREIGN EXCHANGE OUTLAYS (HE WAS VAGUE ON WHAT THIS COMPRISED, BUT GAVE TRAINING ABROAD AS ONE EXAMPLE), OF WHICH 90 TO 100 PERCENT WAS TO UNITED STATES. WE NOTED WIDE DISCREPANCIES IN AVAILABLE DATA, AND PAPALIGOURAS VOLUNTEERED TO SET UP MEETING NEXT WEEK INVOLVING GREEK AND US MILITARY AND ECONOMIC COUNSELOR TO ESTABLISH THE FINANCIAL PARAMETERS OF GREECE'S DEFENSE FOREIGN EXCHANGE OBLIGATIONS.

7. PAPALIGOURAS SAID THAT GREEK EMBASSY IN WASHINGTON HAD REPORTED BY TELEPHONE THIS WEEK THAT USG WAS CONSIDERING "DIRECT AID" TO GREECE. HE NOTED THIS WOULD INVOLVE GOING TO CONGRESS AND OBSERVED THAT THERE WAS SENTIMENT FOR GREECE IN THE CONGRESS. REFERRING TO SECRETARY KISSINGER'S DECLARATION TO FOREIGN MINISTER BITSIOS IN BRUSSELS OF US DESIRE TO HELP GREECE, PAPALIGOURAS ASKED WHETHER HIS EMBASSY HAD MISUNDERSTOOD, OR WHETHER THE REPORT WAS TRUE. AMBASSADOR REPLIED THAT, WHILE USG WAS OBVIOUSLY PREPARED, GIVEN OUR OWN ECONOMIC SITUATION AND GLOBAL REQUIREMENTS, TO CONSIDER ASSISTANCE TO GREECE AS SYMPATHETICALLY AND FAVORABLY AS POSSIBLE, WE WERE NOT AWARE THAT ANY DECISION HAD BEEN MADE IN THIS REGARD. IN HIS OPINION, NOTWITHSTANDING
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FAVORABLE ATTITUDES TOWARD GREECE IN PUBLIC OPINION AND IN CONGRESS, IT MIGHT BE PREMATURE TO COME FORTH NOW WITH REQUEST FOR NEW AID TO GREECE. AMBASSADOR CITED SERIOUS BUDGETARY RESTRAINTS, US RECESSION, AND GENERAL MALAISE CONCERNING FOREIGN ASSISTANCE, AS WELL AS THE PROBABLE SERIOUS REPERCUSSIONS ON OUR RELATIONS WITH TURKEY SHOULD NEW AID FOR GREECE BE REQUESTED AT A TIME WHEN AID TO TURKEY WAS IN SUSPENSE. HE CONCLUDED THAT DIRECT AID WAS UNDOUBTEDLY ONE POSSIBILITY BEING CONSIDERED IN

WASHINGTON, AMONG OTHERS, AND THAT IT WAS FAIR TO SAY THAT SECY KISSINGER WAS DISPOSED TO CONSIDER THIS ALONG WITH ALL OTHER POSSIBILITIES. (COMMENT: AMB DELIBERATELY SOUGHT TO DAMPEN DOWN PAPALIGOURAS EXPECTATIONS ON THIS AS THE LATTER WANTED TO CONCLUDE THAT THE GREEK EMBASSY IN WASHINGTON HAD GOTTEN ADVANCE KNOWLEDGE OF A MAJOR USG DECISION AS A RESULT OF A CONVERSATION WITH A DEPARTMENT OFFICER.)

8. PAPALIGOURAS MUSED THAT HE PERSONALLY FELT THAT DIRECT AID WOULD BE IMPOSSIBLE UNTIL AFTER CYPRUS HAD BEEN RESOLVED. HE ASKED AMBASSADORS ASSESSMENT OF CURRENT STATUS OF NEGOTIATIONS AND SECY KISSINGERS TALKS IN ANKARA, AND AMB REPLIED ALONG LINES OF RECENT TELEGRAMS ON THIS SUBJECT. PAPALIGOURAS ASSERTED THAT IT WAS NATURAL THAT IF THE US HAD TO CHOOSE BETWEEN GREECE AND TURKEY, IT WOULD CHOOSE THE LATTER, BUT THAT HE HOPED IT WOULD NEVER COME TO THIS. AMB TOLD PAPALIGOURAS THAT THE US HAD NO INTENTION OF ALLOWING A SITUATION TO DEVELOP IN WHICH WE WOULD BE FACED WITH SUCH A CHOICE. PAPALIGOURAS FRUTHER ASKED FOR CALRIFICATION OF SECY KISSINGERS STATEMENT TO BITSIOS CONCERNING GREECES SECURITY IN AEGEAN. THE AMB REPLIED THAT THE AEGEAN WAS A QUITE DIFFERENT MATTER THAN CYPRUS. ALLUDING TO THE BROAD SPECTRUM OF US-GREEK AFFINITIES AND RELATIONSHIPS--HUMAN, HISTORICAL, CULTURAL, POLITICAL, ECONOMIC--HE SAID THAT IT WAS OBVIOUSLY CONTRARY TO THE INTERESTS OF THE US TO PERMIT GREECES VITAL SECURITY TO BE THREATENED.

9. IN THIS CONNECTION, AMB BROUGHT UP SUBJECT OF ANTI-AMERICANISM IN GREECE, STATING THAT WHILE THIS PHENOMENON MAY HAVE SERVED SOME INITIAL PURPOSE OR STRATEGY
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OF GREECE--ALTHOUGH THAT WAS DEFINITELY DEBATABLE--ITS FURTHER CONTINUANCE COULD ONLY DAMAGE GREECE'S INTERESTS, THREATENING THE MAINTENANCE OF US MILITARY FACILITIES AND NATO TIES, WHICH ARE AN ESSENTIAL ELEMENT TO GREECE'S OWN SECURITY, AS WELL AS BRINGING AN ADVERSE ECONOMIC IMPACT IN FORM OF REDUCED US BUSINESS INTEREST AND TOURISM.

10. PAPALIGOURAS AGREED WITH THIS APPRAISAL AND SPECIFICALLY WITH THE POINTS ON ANTI-AMERICANISM. HE SAID HE WOULD ALSO MAKE THESE POINTS TO CARAMANLIS. HE RE-EMPHASIZED THE ESSENTIALITY TO GREECE OF EARLY RESOLUTION OF CYPRUS ISSUE AND STABILIZATION OF RELATIONS WITH TURKEY AS A PRECONDITION TO IMPROVEMENT OF GREECES EXTERNAL ACCOUNTS SITUATION, CITING IN PARTICULAR THE POSSIBILITY OF EVENTUAL US DIRECT AID AND PROBABLE UPSWING IN FOREIGN INVESTMENT AND

TOURISM GENERALLY FOLLOWING SUCH STABILIZATION.

11. PAPALIGOURAS EXPRESSED STRONG INTEREST IN US ECONOMIC DEVELOPMENTS AND ASKED COUNSELOR FOR BRIEF RUNDOWN OF CURRENT SITUATION AND PROSPECTS IN THE US. PAPALIGOURAS EMPHASIZED IMPORTANCE GOG ATTACHES TO "SPECIAL AND CLOSE" ECONOMIC, POLITICAL AND SECURITY TIES WITH US, AND TERMED TALK OF AN "EXCLUSIVE RELATIONSHIP" OF GREECE WITH EUROPE AS "NONSENSE." HE STRESSED THAT THERE IS A LONG RANGE COINCIDENCE OF GREEK INTERESTS WITH THOSE OF THE UNITED STATES AND THAT, INDEED, THE LONG RANGE INTERESTS OF GREECE AND TURKEY ALSO CONVERGE.

12. SUMMING UP THE ECONOMIC ASSISTANCE PICTURE, PAPALIGOURAS STATED IT SEEMED "NOT ENCOURAGING" IN TERMS OF FAST DISBURSEMENTS THIS YEAR. HE WOULD REPORT TO THE PRIME MINISTER THE FOLLOWING FIVE POINTS ON THIS SUBJECT: (1) THE US WAS PLAYING A CONSTRUCTIVE AND HELPFUL ROLE IN SUPPORT OF GREECE AT THE WORLD BANK AND IMF; (2) RESCHEDULING FOREIGN MILITARY DEBT APPEARS TO OFFER THE MOST SIGNIFICANT PROSPECT FOR IMMEDIATE FOREIGN EXCHANGE RELIEF, AND RESEARCH ON DATA IS UNDER WAY; (3) ADDITIONAL EXIMBANK CREDIT IS A POSSIBILITY UNDER CONSIDERATION; (4) DITTO WITH CCC; AND (5) "DIRECT AID" IS A CURRENTLY "MORE VAGUE" POSSIBILITY, IN ANY EVENT IMPOSSIBLE IN ABSENCE OF CYPRUS RESOLUTION.
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13. IT WAS MUTUALLY AGREED THAT PAPALIGOURAS WOULD SET UP A MEETING NEXT WEEK FOR BENEDICK TO MEET WITH APPROPRIATE GOG OFFICIALS ON THE SUBJECT OF MILITARY PAYMENTS FALLING DUE, AND THE AMBASSADOR SAID HE WOULD GET IN TOUCH WITH PAPALIGOURAS AGAIN AS SOON AS HE HAD RECEIVED A FURTHER MESSAGE AND INSTRUCTIONS FROM WASHINGTON CONCERNING THIS GENERAL SUBJECT.
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